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11 March, 2000

The Commissioner
Government Prices Oversight Commission
GPO Box 770
HOBART TAS 7001

Dear Mr. Reeves,

Mr. Malcolm Fenton has asked me to respond to your letter to him dated 24 February, 2000 on the subject of Metro Tasmania operations.

Mr. Fenton wishes to make the following observations:-

- Reductions in patronage on Metro services have not resulted in a corresponding rationalization of services, which are totally unviable and are duplicated.
- There still exists dedicated school bus services being provided by Metro to and from schools for which there are no passengers or that the small numbers carried could be easily catered for on other services operating at the same time over almost identical routes.
- Metro provides services in the Ulverstone area and between Ulverstone and Burnie. The new services in Ulverstone were introduced 14 months ago and the patronage level has not increased.
- In fact, the Ulverstone services operate with few passengers.
- Students refuse to use Metro service in Ulverstone because of the huge disparity in fares. Private sector 30 cents per trip, Metro 96 cents per trip. Metro should abandon the Ulverstone area and thus improve its overall financial position.
- Metro have an advertising budget of 1 million dollars. With a continuing decline in patronage over many years, it is obvious the advertising campaign is not effective.
- Reducing the advertising budget will not contribute to a significant decline in patronage.
- There are considerable savings in this area.

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- Metro competes with the private sector in the area of student transport. These areas of competition do not contribute to a more cost effective system of public transport.
- The competition is a drain on the public purse.
- Government heavily subsidizes student Transport and it is difficult to see why government encourages Metro to operate in areas where the private sector also operates and competes for the same market. There is a need for rationalization, which will improve the position of Metro as well as the private sector.
- Metro has been providing charter services in competition with the private sector at what were ridiculous charter rates.
- Whether this has changed in recent times is unknown. If it has, then healthy competition is good for the charter industry
- If Metro charter rates are significantly below the private operator, then they should be amended.
- There is a need to set benchmark targets for cost efficiencies at the level of efficient private sector operators.
- Metro fares could be set based on the School Bus Index. In fact the funding for student services provided by Metro should be based on the system in place for the private operator, i.e. top up payments based on students carried.
- This would encourage Metro to rationalize student services
- If it is decided to allow Metro to increase fares based on the School Bus Index, private operators should receive the same consideration based on the same base level of fares, i.e. the private operator is indexed on a base fare which may have been set 10 years ago. It would be unfair to index Metro based on its current fare level unless the same consideration was given to the private operator.
- A detailed examination should be made of all services provided by Metro to assess which of those services could be withdrawn curtailed, redesigned or amalgamated.

In the student transport area, detailed report should be undertaken on rationalizing those services without withdrawing services currently utilized by students.

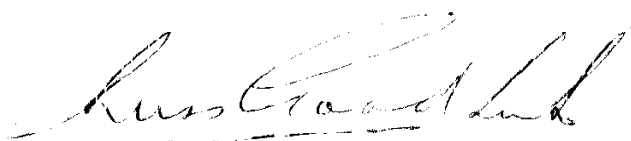
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Following such an examination, Metro could then review its services and operational costs.

Unfortunately there was not sufficient time available to obtain a copy of the issues, paper and present detailed comments on the issues.

Should you require further clarification on any issue raised, you might let me know.

Yours sincerely



Russ Goodluck